

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Proposal for Changing Civil Service Retirement

FROM:

Chief, Retirement Division  
906 Ames Bldg.

EXTENSION

NO.

DATE

13 February 1986

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DD/EBS

DD/Pers

2/13

2/13

EHS

2.

D/Pers

EHS

3.

4.

19 FEB 1986

DD/EBS

EHS

5.

6.

CIRD

(lets discuss further)

7.

8.

Attached FYI are segments of the FY-87 budget dealing with proposals for changing current Civil Service retirement. You will note these are basically the same as in previous years:

1) Raising the retirement age to 62 with a penalty of 2% per year for retirements under age 62.

2) Limited COLAs to CPI minus two.

3) High-3 to High-5.

4) Increase employee contributions from 7% to 9%.

5) Conform Civil Service Survivor and Educational-Student benefits as those provided by Social Security

cc: DD/Pers/EBS

The attached raises issues as to how we should handle the new concern about current retirement systems. We'd like to discuss strategy we should be following.

OK. Whenever looks like we should just wait and see.

ees hired after December 31, 1983, are temporarily covered under a combination of civil service retirement and social security. For these new employees, the administration supports the establishment of a permanent, reasonable, and appropriate retirement system that approximates the cost of private-sector pension plans.

In addition, the administration continues to support reform of the current costly civil service retirement system, which provides very generous benefits. In order to sharply reduce the taxpayer subsidy of Federal pensions and to bring Government pension costs more into line with those of private employers, the administration proposes legislation to:

- *Reduce the annuities of employees retiring early.*—The retirement age for full benefits would be raised to 62. Employees could still retire at 55 with 30 years of service, but the benefits would be reduced by 2% for each year under 62 at the time of retirement. Employees who are already 55 would not be affected, and the proposal would be phased in over 4 years to avoid unduly upsetting the plans of employees who are already near 55.
- *Limit cost-of-living adjustments (COLAs).*—The scheduled January 1987 COLA would be eliminated. COLAs thereafter would be limited to the percentage change in the CPI less 2 percentage points. The COLA scheduled for January 1986 would be eliminated under provisions of P.L. 99-177.

In addition, the administration's legislative proposal will include reforms to:

- change the base on which benefits are computed from the highest 3 salary years to the highest 5 years; employees within 3 years of retirement eligibility would not be affected;
- conform civil service survivor, adult student, and minimum benefits to those provided by social security;
- increase employee and employer contributions from 7% to 9% in 1987;
- require that the Postal Service and the District of Columbia begin paying the full cost of employee pensions less the employee's contributions; and
- discontinue Federal employee retirement, life, and health insurance coverage for employees first hired by the District of Columbia after September 30, 1986.

In 1987, the package of civil service retirement reforms is estimated to increase receipts by \$937 million and reduce outlays by \$667 million. Comparable changes to other civilian retirement and disability programs are estimated to reduce outlays by \$7 million in 1987.

*Military retirement.*—Approximately 1.5 million military retirees and survivors will receive an estimated \$18.5 billion in outlays

under  
tained  
basic p  
Septem  
basic p  
basic p  
proposa  
COLA f  
COLA s  
P.L. 99-  
eligible

*Feder*  
Labor p  
poyees  
deaths.  
survivor

*Feder*  
are pay  
poyees.  
outlays l

*Unemp*  
employr  
compens  
temporal  
economic  
2.3 millio  
during 1  
to incre  
because  
from 6  
by an in

Regula  
a State t  
each Sta  
50% the  
unemploy  
of unemp  
The total  
not excee  
State and  
Benefit  
are finan  
al benefi  
stances, s

velopment block grant would be the principal vehicle for Federal support of local community development activities.

- The administration is proposing to reduce or eliminate several State grant programs for criminal justice assistance, including the juvenile justice program and the State and local assistance program. The objective of the juvenile justice program has largely been met.
- The administration is proposing to terminate the community services block grant in 1987. A large portion of the Federal grant pays for the overhead of local community action agencies rather than serving the needy and elderly.
- The administration proposes to terminate support for energy conservation grants and State energy planning and extension activities. Planning and extension activities are a State and local responsibility.
- The administration is reproposing the termination of local rail service assistance to States and of the air service subsidy program, which was established in 1978 to provide a transition period for communities to adjust to deregulation. Both of these programs have fulfilled their purpose.

## MAKE FEDERAL GOVERNMENT SERVICES MORE EFFICIENT, EFFECTIVE, AND ACCOUNTABLE

Improved management of Federal operations continues to be an important part of the administration's overall objective of restoring efficiency, balancing the role, and reducing the size of the Federal Government. The goal of these efforts is to ensure that the Federal Government provide needed services in an economical and efficient way. Early in this administration, President Reagan made management reform one of his top priorities and initiated "Reform '88", a program to upgrade the management of the Federal Government. The key initiatives are:

**Fraud, waste, and abuse.**—Reduction of fraud, waste, and abuse in Federal programs remains a high priority. During the past 4-1/2 years the Inspectors General have made recommendations for the improved use of over \$63 billion. Their recommendations have led to 14,291 civil and criminal prosecutions and 14,146 administrative sanctions or agency actions.

**Federal personnel and benefits.**—The administration is proposing several reforms of the civil service retirement system in order to bring Government pension costs closer to those of the vast majority of private employers. Primary among these are proposals to limit cost-of-living adjustments, to reduce annuities for those who retire

before age 62, and to raise the percentage points in 1987.

The new agency productivity part of Reform '88 will make employment and to achieve savings in nondefense agencies is projected from 1985 through 1987. The full impact of the program should at least double

**Federal resource management.**—The administration's moratorium on further development of the petroleum reserve (SPR), once established in 1986. This moratorium is estimated to cost \$1.9 billion over the next 5 years. The administration has substantially reduced its expenditures by increasing both the efficiency and effectiveness of its operations. Legislation is also proposed to increase the use of plus materials from the nation's

**Credit management.**—The administration's intervention in the National Credit Administration is accomplished by phasing out programs, changing from direct to indirect lending, possible, charging at or above market rates, loan origination fees, settling postaward review process, using incentives, offsetting IRS refunds, and selecting loans in the Federal Reserve Bank. The administration considers the establishment of this program and look into the the guaranteed loan programs.

Several direct loan and loan guarantee programs will be eliminated or sharply reduced. The administration is also proposing to increase the benefits they receive from Government programs. For example, new or increased benefits for the National Administration agricultural and the Commodity Credit Corporation. The administration proposed for a number of programs, guaranteed student loans, and other programs. The administration is proposing that a special premium for all loans that user fees be imposed on the user.

The new fees would allow the government to compete on a more equal basis with the private sector in culture, and education sectors. The government would receive \$0.3 billion in 1987 and \$4.3 billion in 1988.

before age 62, and to raise the retirement contributions by two percentage points in 1987.

The new agency productivity programs being implemented as part of Reform '88 will make it possible to reduce civilian agency employment and to achieve savings. The number of employees in nondefense agencies is projected to decrease by 1.25% a year from 1985 through 1987. The full implementation of the new productivity program should at least double that rate for 1988 through 1991.

***Federal resource management.***—The budget proposes an indefinite moratorium on further development and fill of the strategic petroleum reserve (SPR), once it reaches 500 million barrels in 1986. This moratorium is estimated to result in outlay savings of \$1.9 billion over the next 5 years. Over the past 5 years, the Nation has substantially reduced its vulnerability to supply disruptions by increasing both the efficiency of oil use and U.S. oil production. Legislation is also proposed to sell \$250 million of unneeded surplus materials from the national defense stockpile in 1987.

***Credit management.***—The budget proposes to reduce the Government's intervention in the Nation's lending market. This will be accomplished by phasing out or reducing several Federal credit programs, changing from direct to guaranteed lending as much as possible, charging at or above Treasury interest rates, charging loan origination fees, setting up a borrower prescreening and postaward review process, using private sector debt collection agencies, offsetting IRS refunds, and undertaking a pilot program to sell selected loans in the Federal portfolio. The administration will also consider the establishment of a Federal credit agency to oversee this program and look into the use of private sector reinsurers for the guaranteed loan programs.

Several direct loan and loan guarantee programs are proposed to be eliminated or sharply reduced over the next 5 years. The administration is also proposing to charge borrowers for some of the benefits they receive from Government loans and loan guarantees. For example, new or increased fees are proposed for Farmers Home Administration agricultural credit and export credit provided by the Commodity Credit Corporation. Higher interest rates are being proposed for a number of programs, including rural electrification loans, guaranteed student loans, and reclamation loans. The administration is proposing that the Secretary of the Treasury charge a special premium for all 100% federally guaranteed loans and that user fees be imposed on government-sponsored enterprises.

The new fees would allow fully private financial intermediaries to compete on a more equal basis in lending to the housing, agriculture, and education sectors. Credit fees are estimated to total \$0.3 billion in 1987 and \$4.3 billion over the next 5 years.

**EST**

Government's cost of borrowing money. It consists of the interest on the public debt and the interest on Government trust funds and

interest rates, larger borrowing and a decrease in net interest outlays of \$1 billion in 1987.

Treasury securities held by the public. The interest cost associated with the public debt.

Interest received by law to be invested in the public debt are included in the interest earned by most of the public so that net interest includes the interest received from the public.

Interest received from the public as well as interest on the public debt are also included in the interest transactions with the

**NET INTEREST**

(In billions of dollars)

	1985 actual	1986 estimate	1987 estimate	1988 estimate	1989 estimate
Interest on the public debt.....	179.1	196.1	206.9	211.8	206.5
Interest received by on-budget trust funds.....	-22.1	-26.7	-29.6	-33.5	-36.7
Interest received by off-budget trust funds.....	-4.1	-4.4	-4.7	-6.3	-8.7
Other interest.....	-23.4	-22.3	-24.5	-26.9	-25.1
<b>Net interest outlays.....</b>	<b>129.4</b>	<b>142.7</b>	<b>148.0</b>	<b>145.1</b>	<b>136.0</b>

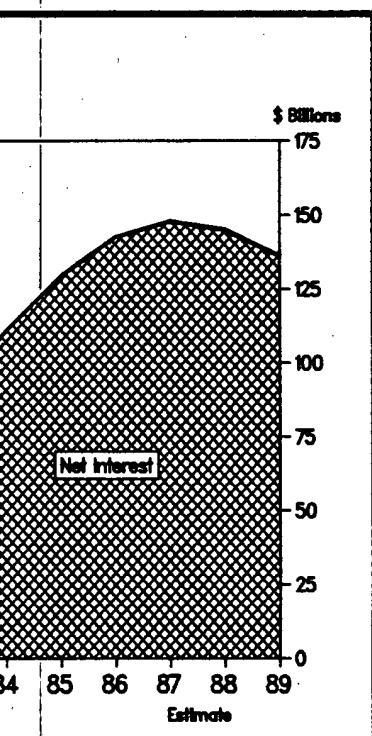
**ALLOWANCES**

Allowances cover certain forms of budgetary transactions that are expected to occur but are not reflected in the program details of the preceding functions. When these transactions take place, they are reported as outlays for the appropriate agencies and functions.

The allowance for civilian agency pay raises reflects the assumption that Federal civilian employees will receive a 3.0% pay raise in January of each year beginning in 1987. The allowance for Coast Guard military personnel pay raises reflects the administration's proposed 4.0% pay increase in October 1986 and assumes that pay raises in all other years will match those granted to Department of Defense military employees.

In order to conform more closely the financing of Federal civilian retirement systems to private sector retirement plans, the administration is proposing to increase the contributions by both Federal employees and employing agencies to the retirement trust funds from the current 7% of payroll to 9% in 1987. The allowance for increased employing agency payments for employee retirement covers the full amount of the additional contributions by civilian agencies, with the exception of the Postal Service.

An allowance for other requirements contains amounts for potential reestimates and minor programmatic changes, which net to zero.



## MAJOR BUDGET PROPOSALS

3-17

overhead of local community action agencies rather than serving the needy and elderly.

- The administration proposes to terminate support for energy conservation grants and State energy planning and extension activities. There are now adequate incentives for the installation of energy conservation measures. Planning and extension activities are a State and local responsibility. In addition, States should receive funds to finance these and other energy activities from the resolution of cases involving violations of petroleum pricing and allocation regulations.
- The administration is reproposing the termination of local rail service assistance to States and of the air service subsidy program, which was established in 1978 to provide a transition period for communities to adjust to deregulation. Both of these programs have fulfilled their purpose. The air carrier subsidy is now ironically deterring development of cheaper, more efficient transportation modes, such as limousine or bus service.

In addition to these specific proposals, the administration is exploring how to improve the operation of unemployment insurance and the Employment Service. A Federal tax on employers finances State administrative costs for unemployment compensation and the Employment Service. States have raised questions about the equity of the allocation of resources among States, the lack of flexibility resulting from highly specific allocations for administering unemployment compensation, and the adequacy of resources for certain activities. The administration is soliciting the views of interested parties about the full range of options, including devolution, to provide States with increased authority, flexibility, and responsibility for the effectiveness and the financing of the administration of unemployment compensation and the Employment Service.

### **MAKE FEDERAL GOVERNMENT SERVICES MORE EFFICIENT, EFFECTIVE, AND ACCOUNTABLE**

Improved management of Federal operations continues to be an important part of the administration's overall objective of restoring efficiency, balancing the role, and reducing the size of the Federal Government. The goal of these efforts is to ensure that the Federal Government provide needed services in the most economical and efficient way possible. Early in this administration, President Reagan made management reform one of his top priorities and initiated "Reform '88", a program to upgrade the management of the Federal Government. The key initiatives are summarized here and presented in detail in this year's management report.

**Fraud, waste, and abuse.**—Reduction of fraud, waste, and abuse in Federal programs remains a high priority. The President's Council on Integrity and Efficiency (PCIE), created 2 months after President Reagan took office, has contributed significantly toward the use of technology and modern management tools to discover and to prosecute those who defraud Federal programs or abuse their positions. In the 4½ years since the Council was created, the Inspectors General have made recommendations for the improved use of over \$63 billion. Their recommendations have led to 14,291 civil and criminal prosecutions and 14,146 administrative sanctions or agency actions. During the past 4½ years, much progress has been made toward eliminating fraud and waste, as well as the management vulnerabilities that permit fraud and waste to breed.

**Federal personnel and benefits.**—The administration is proposing several reforms of the civil service retirement system in order to bring Government pension costs closer to with those of the vast majority of private employers. Primary among these are proposals to limit cost-of-living adjustments, to reduce annuities for those who retire before age 62, and to raise the retirement contributions by two percentage points in 1987. The administration is also proposing to eliminate the January 1987 cost-of-living increase for civilian and military retired pay. The administration is proposing that the Federal employees health benefits program be modified to increase competition and reduce costs. Under this proposal, employees would be encouraged to choose low-cost plans through a system of rebates and health benefit providers would reform benefits and reduce costs in response to increased competition for enrollments.

The new agency productivity programs being implemented as part of Reform '88 will make it possible to reduce civilian agency employment substantially and to achieve significant savings. The number of employees in nondefense agencies is projected to decrease by 1.25% a year from 1985 through 1987. The full implementation of the new productivity program should at least double that rate for 1988 through 1991, which can be accomplished in almost all cases by attrition. This program has the potential of producing \$0.4 billion of savings in 1988 and total savings of more than \$7.4 billion from 1988 to 1991 from the outlay totals shown in this budget. The result will be a better, more automated work place for Federal employees to provide services as efficiently as possible.

The budget includes a 3% pay increase for civilian employees of the Federal Government, effective January 1987, and a 4% pay increase for military personnel, effective October 1986. The cost of the pay raises assumed for civilian agencies is \$1.0 billion below current services in 1987 and \$11.1 billion lower for the next 5 years.

**Fed.**

nite r  
petrol  
1986.  
\$1.9 b  
part t  
stantia  
creasin  
result,  
droppe  
lion of  
pile in

**Cred.**

and lo  
allocat  
standin  
vored b  
pay me  
ceived  
Govern  
ernmen  
velopme

The b  
the Nat  
Federal  
as much  
charging  
and pos  
agencies  
to sell  
adminis  
credit a  
the use  
grams.

Severa  
be elimi  
ple:

- Cre
- mu
- Far
- mer
- cuss
- ning
- Oth
- ing
- time
- opm

987

Continued

1987 estimate	1988 estimate	1989 estimate
3,750 74	3,901 63	4,095 55
1,648	1,626	1,605
92 -203 81	109 -218 90	118 -231 99
5,442	5,572	5,742
25,630 -674	27,387 -1,341	29,150 -1,971
18,516 -500 259 -788	19,666 -701 274 -831	20,801 -742 322 -868
42,444	44,454	46,692
16,884 1	17,270 7	17,301 12
16,885	17,278	17,313
10,657 -1,720 1,297	11,086 -1,895 1,273	11,581 -1,967 1,327
1,470 356 170	620 603 174	-249 831 164
12,230	11,862	11,687
12,643 -315	13,099 -406	13,451 -509
6,469 -704	6,841 -833	7,262 -924
18,094	18,701	19,279
10,569 -34	11,776 -34	11,359 -34
9,211 -278	10,049 -259	10,301 -257

## INCOME SECURITY

5-115

## NATIONAL NEED: PROVIDING INCOME SECURITY—Continued

(Functional code 600; in millions of dollars)

Major missions and programs	1985 actual	1986 estimate	1987 estimate	1988 estimate	1989 estimate
Earned income tax credit (EITC).....	1,100	1,283	1,228	1,112	1,075
Refugee assistance.....	442	393	343	368	345
Low-income home energy assistance.....	2,141	2,019	2,091	2,100	2,100
Other.....	201	170	150	145	145
Subtotal, Other income security.....	22,715	23,765	23,280	25,257	25,033
Total, outlays.....	128,200	118,093	118,374	123,124	125,746

earnings on investments, and collections from sponsors of terminated plans. Because liabilities assumed under terminated plans exceed income from all sources, the Corporation has a growing deficit that is expected to reach \$1.5 billion by the end of 1987. The budget reflects the administration's request that the Congress enact legislation to increase the current annual premium of \$2.60 per participant paid by single-employer plans. The increase would retard growth of the Corporation's deficit, which more than doubled in 1985. The administration also supports legislation to revise the insurance program for single-employer plans in order to close loopholes in the Employee Retirement Income Security Act of 1974 that allow unwarranted assignment to the Corporation of liabilities for unfunded benefits.

**Federal employee retirement and disability.**—Of the several employee retirement and disability programs in the legislative, judicial, and executive branches of the Federal Government, the largest are civil service retirement and disability and military retirement.

**Civilian retirement and disability programs.**—The civil service retirement and disability system covers most of the Federal Government's 2.7 million civilian employees. Under existing law, approximately 2.0 million retirees and survivors will receive payments in 1986 totaling an estimated \$24 billion in outlays. Benefits are paid to former employees who meet eligibility requirements based on age and length of service, and to their survivors. Currently, full retirement benefits can begin at age 55 for employees with 30 years of service. Benefit levels are based on the employee's three highest salary years and are indexed to the Consumer Price Index (CPI). Current workers and their employing agencies each contribute 7% of wages toward retirement costs. The remainder—about 60% of total costs—must ultimately be paid by taxpayers through annual payments to the civil service retirement fund.

Until January 1984, the civil service retirement system was completely separate from the social security system. However, employ-



YEAR 1987

## INCOME SECURITY

5-117

temporarily covered under a  
and social security. For  
on supports the establish-  
d appropriate retirement  
private-sector pension plans.  
nues to support reform of  
nt system, which provides  
arply reduce the taxpayer  
Government pension costs  
employers, the administration

*retiring early.*—The retire-  
e raised to 62. Employees  
s of service, but the bene-  
each year under 62 at the  
are already 55 would not  
be phased in over 4 years  
ns of employees who are

*(COLAs).*—The scheduled  
minated. COLAs thereafter  
e change in the CPI less 2  
cheduled for January 1986  
ns of P.L. 99-177.

ative proposal will include

s are computed from the  
ighest 5 years; employees  
lity would not be affected;  
ult student, and minimum  
security;

contributions from 7% to 9%

d the District of Columbia  
yee pensions less the em-

ement, life, and health in-  
st hired by the District of

retirement reforms is esti-  
ion and reduce outlays by  
er civilian retirement and  
duce outlays by \$7 million

5 million military retirees  
d \$18.5 billion in outlays

under existing law in 1987. Normal retirement eligibility is at-  
tained at 20 years of service. The initial benefit is 2.5% of final  
basic pay for each year of service. For personnel entering after  
September 1980, the average of the member's highest 3 years of  
basic pay will be used, as specified by current law, instead of final  
basic pay. Benefits are indexed to the CPI. Consistent with the  
proposal for civil service retirement, the scheduled January 1987  
COLA for military retirement is proposed to be eliminated. The  
COLA scheduled for 1986 would be eliminated under provisions of  
P.L. 99-177. Military personnel also make contributions to and are  
eligible for social security.

*Federal employees workers' compensation.*—The Department of  
Labor provides tax-free cash and medical benefits to Federal em-  
ployees or their survivors for job-related injuries, illnesses, or  
deaths. About 47,600 workers with long-term disabilities, or their  
survivors, will receive monthly payments in 1986 and 1987.

*Federal employees life insurance fund.*—The outlays of this fund  
are payments to survivors of Federal employees and former em-  
ployees. Premium payments to this fund are projected to exceed  
outlays by \$0.8 billion in 1987.

*Unemployment compensation.*—About 97% of wage and salaried  
employment in the United States is covered by unemployment  
compensation programs, which pay benefits to individuals who are  
temporarily out of work and are searching for jobs. Based on the  
economic assumptions described in Part 2, an estimated average of  
2.3 million workers per week will receive unemployment benefits  
during 1986 and 2.2 million workers in 1987. Outlays are estimated  
to increase from \$16.5 billion in 1986 to \$16.9 billion in 1987,  
because the decline in the projected average unemployment rate  
from 6.8% in fiscal year 1986 to 6.6% in 1987 is more than offset  
by an increase in the average weekly benefit amount.

Regular benefits, usually paid for up to 26 weeks, are financed by  
a State tax on employers and vary according to benefit levels set by  
each State. Extended unemployment benefits, which increase by  
50% the number of weeks an unemployed worker can receive  
unemployment compensation, are payable in States with high rates  
of unemployment among covered individuals, as defined by statute.  
The total number of weeks of regular and extended benefits may  
not exceed 39. Extended benefits are financed in equal portions by  
State and Federal taxes on employers.

Benefits paid to former Federal civilian and military employees  
are financed by the Federal agency that employed them. Addition-  
al benefits are available to certain workers in specific circum-  
stances, such as former Conrail employees.

## UNDISTRIBUTED OFFSETTING RECEIPTS

Offsetting receipts are generally deducted from the budget authority and outlays of the agencies and functions of the receipt accounts. In three instances, however, such collections are not distributed by agency or function but instead are deducted from the budget totals as undistributed offsetting receipts. These are for the employer share of employee retirement, rents and royalties on the Outer Continental Shelf, and the sale of major physical assets.

Undistributed offsetting receipts are estimated to be \$35.8 billion in 1986 and \$38.1 billion in 1987. Details of all offsetting receipts are shown in Table 14 in Part 6e.

**Employer share, employee retirement.**—The payments made by Federal agencies to employee retirement funds are outlays of the agencies and are counted as such in the functions of the paying accounts.<sup>1</sup> Since these are payments made by Federal agencies to other Federal agencies, they must be deducted prior to arriving at total budget authority and outlays in order to measure properly the Federal Government's transactions with the public. The deductions are not made against the paying agencies and functions because they are deemed appropriate charges that should be included in the costs of these programs. Deductions are also not made against the trust funds and functions receiving the payments because the size of the deductions would cause the budget authority and outlay totals to seriously understate the amount of resources used to carry out these programs. Hence, the deductions for these collections are recorded as undistributed offsetting receipts.

Prior budgets included one major category of undistributed offsetting receipts for the employer share of employee retirement. Since the Balanced Budget and Emergency Deficit Control Act of 1985 moved social security off-budget, the budget now distinguishes two categories of these receipts—collections by budget accounts and collections by the off-budget social security accounts. Data for prior years have been revised to reflect this change. Almost all of the \$28.5 billion in 1987 that are collected by budget accounts go to the military retirement and the civil service retirement trust funds. Most of the remainder is collected by the medicare trust fund.

The \$3.2 billion in 1987 of off-budget undistributed offsetting receipts for the employer share of employee retirement will be collected by two funds—the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund. Most of these receipts will be collected from on-budget Federal agencies.

<sup>1</sup> The effect of future pay increases assumed for Federal civilian employees, which are discussed in the allowances section, is included in the estimates of offsetting collections for the employer share of employee retirement.

## UNDISTRIBUTE

### UNDISTRIBU

(Functiona

Major missions and programs

### BUDGET AUTHORITY AND OUTLAYS

Employer share, employee retirement (on budget):

Military retired contributions .....

Other contributions:

Existing law .....

Proposed legislation .....

Subtotal, Employer share, employee retirement (on-budget) .....

Employer share, employee retirement (off budget) .....

Rents and royalties on the Outer Continental Shelf:

Existing law .....

Proposed legislation .....

Subtotal, Rents and royalties on Outer Continental Shelf .....

Sale of major physical assets:

Sale of Conrail (proposed) .....

Sale of petroleum reserve (proposed) .....

Sale of power administrations (proposed) .....

Subtotal, Sale of major physical assets .....

Total, budget authority and outlay

On-budget .....

Off-budget .....

The administration proposes to increase contributions to the civilian retirement fund from 7% of payroll to 9% in 1988. The Postal Service requires the Postal Service to pay the actuarial cost of employee retirement benefits, which are discussed in greater detail in the discussion of the Postal Service and housing credit fund. Contributions for employee retirement offsetting receipts, by \$921 million.

### Rents and royalties from

Collections for rents and royalties on the Outer Continental Shelf by the Federal Government result of land ownership as a result of any major offsetting receipt in any state the amount of budget programs in that function. These collections include the amount of OCS lands that have been sold.

## UNDISTRIBUTED OFFSETTING RECEIPTS

5-161

## UNDISTRIBUTED OFFSETTING RECEIPTS

(Functional code 950, in millions of dollars)

Major missions and programs	1985 actual	1986 estimate	1987 estimate	1988 estimate	1989 estimate
<b>BUDGET AUTHORITY AND OUTLAYS</b>					
<b>Employer share, employee retirement (on-budget):</b>					
Military retired contributions .....	-16,964	-18,034	-19,069	-19,904	-20,885
Other contributions:					
Existing law .....	-7,744	-8,248	-8,480	-8,937	-9,056
Proposed legislation .....			-921	-1,377	-1,732
Subtotal, Employer share, employee retirement (on-budget) .....	-24,708	-26,283	-28,471	-30,218	-31,673
<b>Employer share, employee retirement (off-budget) .....</b>	-2,509	-2,843	-3,177	-3,730	-4,196
<b>Rents and royalties on the Outer Continental Shelf:</b>					
Existing law .....	-5,542	-5,450	-5,280	-8,217	-6,434
Proposed legislation .....					
Subtotal, Rents and royalties on the Outer Continental Shelf .....	-5,542	-5,450	-5,280	-8,217	-6,434
<b>Sale of major physical assets:</b>					
Sale of Conrail (proposed) .....		-1,200			
Sale of petroleum reserve (proposed) .....			-1,200	-2,400	
Sale of power administrations (proposed) .....				-1,800	-1,500
Subtotal, Sale of major physical assets .....		-1,200	-1,200	-4,200	-1,500
<b>Total, budget authority and outlays .....</b>	<b>-32,759</b>	<b>-35,776</b>	<b>-38,128</b>	<b>-46,364</b>	<b>-43,803</b>
On-budget .....	(-30,250)	(-32,933)	(-34,951)	(-42,634)	(-39,607)
Off-budget .....	(-2,509)	(-2,843)	(-3,177)	(-3,730)	(-4,196)

The administration proposes to increase employing agency contributions to the civilian retirement trust funds from the current 7% of payroll to 9% in 1987. The administration also proposes to require the Postal Service to begin paying the full employer share of the actuarial cost of employee pensions. These proposals, which are discussed in greater detail in the allowances and the commerce and housing credit functions, will increase employing agency contributions for employee retirement and, therefore, undistributed offsetting receipts, by \$921 million in 1987.

**Rents and royalties from the Outer Continental Shelf (OCS).—** Collections for rents and royalties from the Outer Continental Shelf by the Federal Government are very large. They arise as a result of land ownership by the Federal Government rather than as a result of any major spending program. Their inclusion as an offsetting receipt in any particular function would greatly understate the amount of budget authority and outlays used to carry out programs in that function; hence, they are not distributed by function. These collections include cash bonuses received from the leasing of OCS lands that have the promise of containing oil and gas;